

4. ACTION AGENDA FUNDING

TRACKING COSTS, ACCOMPLISHMENTS AND RECOMMENDATIONS

The Action Agenda and its performance management system are intended to help guide spending on the most important priorities. In this section, the Partnership presents information on the funding that was provided to implement the measures in the 2008 Action Agenda and funding estimates for implementation of the 2012 Action Agenda.

A. COST OF IMPLEMENTING THE 2008 ACTION AGENDA

In 2008, owners of near-term actions provided two-year estimates of what it would cost to implement the nearly adopted Action Agenda and information on available funds for completing the work for the 2009-2011 biennium. In 2012, PSP asked these owners to provide information on what they had actually expended/budgeted for these same near-term actions in order to determine the funding gap between “need” and funding available. The estimates were based on budgeted amounts for the 2009-2011 biennium as well as for fiscal year 2012. The additional year was requested because the timeframe for implementing the 2008 Action Agenda had continued beyond the original two year timeframe (based on the schedule for updating the Action Agenda) and it was important to capture the additional work and expenditures in that third year. The cost estimates and estimated expenditures were converted to average annual estimates in this report, so that they could be compared to determine the funding gap.

During this period, the region benefited from receipt of federal stimulus funding of an estimated \$150.8 million that was critical to our accomplishing a number of key actions. The region also received \$77.5 million in federal dollars invested in Puget Sound recovery.

Approximately \$232 million was allocated through the state budget to actions in the Action Agenda for the years 2010-2012. Non-state funding was approximately \$117 million.

Exhibit A-1 is a summary table that distinguishes the estimated annual cost for strategic priorities compared to estimated expenditures to determine the funding gap. The 2008 Action Agenda included the following strategic priorities:

Priority A- Protect intact ecosystem processes, structures and functions

Priority B- Restore the ecosystem process, structures and functions

Priority C- Prevent water pollution at its source

Priority D- Work together as a coordinated system

Priority E- Build an implementation, monitoring and accountability management system

As illustrated in Figure A-1, the estimated annual cost¹ for state agencies for the 2008 Action Agenda was \$418 million whereas the estimated annual expenditures was only \$232 million, resulting in a funding gap of just under \$187 million. Without the federal stimulus funding received by Washington State during the last few years the gap would have been even larger. However, these stimulus funds were provided on a one-time basis and the state is now facing federal funding cuts rather than increases. This, in addition to the recession the state has faced, which has resulted in significant cuts to state funding, will likely mean that there will continue to be an even larger funding gap between the cost of implementing the Action Agenda and funding available for this work.

¹Based on original data for the 2009 State of the Sound report

Figure A-1: Annual estimates for 2008 Action Agenda Strategic Priorities

(Dollars in 000s)

| Strategic Priority | Annual Cost Estimate ¹ | Annual Estimated Expenditures | Estimated Funding Gap |
|--------------------|-----------------------------------|-------------------------------|-----------------------|
| A- Protect | \$86,212 | \$44,148 | \$42,064 |
| B- Restore | \$73,259 | \$40,741 | \$32,518 |
| C- Prevent | \$185,136 | \$101,640 | \$83,496 |
| D- Work together | \$28,416 | \$21,694 | \$6,722 |
| E- Build | \$45,246 | \$23,550 | \$21,696 |
| TOTAL | \$418,269 | \$231,772 | \$186,497 |

The strategic priority D “Working together as a coordinated system” received about 76% of the funding needed for this work. Collectively, the other strategic priorities received only half of the funding needed with the largest shortfall in water pollution prevention activities (\$83 million). The lack of funding has a direct impact on the ability to implement and complete the critical actions necessary that ultimately lead to achievement of 2020 recovery goals.

A breakdown of the estimates and expenditures for each of the Near Term Actions is provided in the Appendix.

Figure A-2 shows the estimated expenditures by operating, capital, and transportation budgets. Thirty percent of the expenditures were in the operating budget, 62% in capital, and 8% in transportation. Major capital projects include investments in upgrades to municipal and industrial wastewater facilities, retrofitting stormwater systems, and protecting and restoring ecosystem habitat.

Figure A-2: Estimated annual expenditures by strategic priority and budget type

(Dollars in 000s)

| Strategic Priority | Estimated Operating Expenditures | Estimated Capital Expenditures | Estimated Transportation Expenditures | Total Estimated Expenditures |
|--------------------|----------------------------------|--------------------------------|---------------------------------------|------------------------------|
| A. Protect | \$20,935 | \$23,213 | \$0 | \$44,148 |
| B. Restore | \$2,012 | \$26,412 | \$12,317 | \$40,741 |
| C. Prevent | \$19,436 | \$76,314 | \$5,890 | \$101,640 |
| D. Work together | \$4,304 | \$17,390 | \$0 | \$21,694 |
| E. Build | \$23,441 | \$0 | \$109 | \$23,550 |
| TOTAL | \$69,955 | \$143,329 | \$18,316 | \$231,772 |

OTHER ACTION AGENDA IMPLEMENTATION FUNDING

In addition to the investments in Puget Sound recovery work by state agencies, non-state partners such as federal agencies and local governments also provided funding for Action Agenda implementation during this three-year time period. For example, the Environmental Protection Agency invested \$51 million toward implementing high-priority remediation and clean-up projects in the Puget Sound and to support federal and other facilities in the reduction of nutrients and pathogens especially in already impaired areas. The U.S. National Parks Service spent over \$51 million during this period on the Elwha dam removal and ecosystem restoration (see Chapter 1 for additional information about this project). The U.S. Fish and Wildlife Service invested over \$7 million to complete large-scale restoration projects at the mouths of major river systems in Puget Sound to restore ecosystem function. In addition, the National Oceanic and Atmospheric Administration contributed \$2.5 million toward implementing the southern resident killer whale plan.

Local governments and non-government project partners were also significant contributors to Action Agenda implementation. For example, locals provide considerable matching funds to habitat restoration and protection projects funded by Washington State's Recreation and Conservation Office. Additionally, the Northwest Straits Commission received over \$5 million in funding during this period to remove derelict fishing gear.

ENVIRONMENTAL PROTECTION AGENCY FUNDING FOR PUGET SOUND

In 2011, Region 10 EPA was appropriated federal funding specifically for Puget Sound Recovery efforts. Since that time, EPA has awarded over \$77.5 million to Washington state, local, and tribal governments.

Funding is distributed through lead organizations to implement targeted strategies, mostly through sub-awards to a variety of other entities, for Puget Sound projects. Exhibit A-3 lists the lead organizations, their targeted strategies, and funding received to date.

Of the \$77.5 million that will be distributed, an estimated 60% of the funding helps implement near term actions, and 40% helps implement projects related to the higher level sub-strategies within the Action Agenda. An estimated \$49.2 million of the funding will go to local governments for implementation of projects, \$20.8 million for regional projects, and \$7.5 million for program management. Of the total funding, about 46% will be distributed through competitive processes giving a wide range of entities and projects the opportunity to receive funding for high-priority actions that will help achieve 2020 targets to protect and restore the Puget Sound.

Figure A-3: Environmental Protection Agency Puget Sound Recovery Funding

| Lead Organization | Focus | Amount of Funding received |
|---------------------------------------|--|----------------------------|
| Dept. of Ecology | Toxics and nutrients reduction and prevention | \$12.3 million |
| Dept. of Ecology | Protection of at-risk watersheds | \$14.2 million |
| Dept. of Health | Pathogen reduction and prevention | \$12.2 million |
| Dept. of Fish and Wildlife | Marine and nearshore habitat restoration and protection | \$12.2 million |
| Northwest Indian Fisheries Commission | Support implementation of Action Agenda strategies | \$12.1 million |
| Puget Sound Partnership | Oversee implementation of Action Agenda and stewardship of Puget Sound | \$14.5 million |
| Total | | \$77.5 million |

B. COST ESTIMATES – IMPLEMENTATION OF THE 2012 ACTION AGENDA

The Leadership Council adopted an updated Action Agenda on August 9, 2012. It includes 199 near term actions, including three sets of Strategic Initiatives and lists a number of the key ongoing programs that are conducted throughout the region. Near term actions are the new initiatives, critical next steps in ongoing work and targeted efforts to improve implementation of ongoing activities or ensure these programs have adequate resources to deliver on objectives. Ongoing activities create the foundation for recovery efforts and the regulatory, policy and incentive-based framework upon which near-term actions are built. Regional leaders are not proposing to reallocate funding away from ongoing activities to the “change agenda” measures called out in the near-term actions. The Strategic Initiatives (prevention of pollution from urban stormwater runoff, protection and restoration of habitat, and recovery of shellfish beds) were developed by regional partners to deliver progress at a substantial level over the next two or three years on a more focused set of regional priorities. They are intended to focus our efforts to seek changes in policy, report success and challenges, and educate and engage the Puget Sound community in the recovery effort. They should also be the focus of spending and resources in the next two to three year timeframe.

In September 2012, Near Term Action owners provided cost estimates for each of the near-term actions that they agreed to lead and estimates of the funding they already have available in their respective budgets. The cost estimates included costs that might be incurred by other entities that shared responsibility for the proposed work. Some of the owners were unable to provide total costs for the Near Term Action because the work itself required a lengthy effort to determine total future cost for the work, such as costs for removing shoreline armoring, infrastructure retrofit projects, and land

purchases. Where relevant, these are footnoted in the summary charts. Although the Department of Fish and Wildlife provided cost estimates, this agency did not submit budget estimates.

The measures in the 2012 Action Agenda are organized differently from those in the 2008 Action Agenda. The work is divided into five broad categories:

Category A- Freshwater and terrestrial Protection and Restoration

Category B- Marine and Nearshore protection and Restoration

Category C- Pollution prevention and Cleanup

Category D- Strategic leadership and collaboration; and

Category E- Funding strategy

Below are charts that summarize the cost estimates and available budgets for the 2012 Action Agenda near term actions for state fiscal year 2013 and the 2013-15 biennium. The implementation period for these NTAs is from one to three years. The budgeted amount does not include estimated new capital expenditures for the 2013-15 Biennium because, unlike operating appropriations, new capital budget appropriations are zero-based (that is, they assume zero carry-forward level) each biennium. Figure B-1 represents the overall NTA costs and estimated budgets for state agencies by strategy. Figure B-2 is a subset of the overall data that illustrates the NTA estimates for each of the Strategic Initiatives.

Exhibit B-1: State Agencies' Three-year Near Term Action estimates for 2012 Action Agenda

(Dollars in 000s)

| Strategies | Cost Estimate | Estimated Budget | Estimated Funding Gap |
|-----------------------|------------------------|------------------|-----------------------|
| A Freshwater | ² \$396,565 | \$33,437 | \$363,127 |
| B Marine & Near-shore | \$24,090 | \$6,364 | \$17,726 |
| C Pollution | \$79,773 | \$58,721 | \$21,052 |
| D Leadership | \$4,282 | \$4,218 | \$63 |
| E Funding Strategy | \$13,883 | \$10,830 | \$3,052 |
| TOTAL | \$518,595 | \$113,572 | \$405,022 |

Note: Washington State Department of Fish and Wildlife did not provide budget estimates.

Figure B-1 shows that there is currently a budget gap of over \$400 million for state agencies' near term actions across all Action Agenda strategies. Based on cost estimates, state agency owners (leading on 160 of 199 near term actions) account for the vast majority (87%) of funding need for near term action implementation. It should be noted that budget estimates do not include capital funding for the 2014-15 biennium. This is particularly relevant to Strategy A – Freshwater and terrestrial Protection and Restoration – where 2014-15 biennium capital budgets are likely to have a significant effect on the funding gap. For example, on average the state has provided \$32.5 million in capital funding per year for implementing the three-year workplans over the last three biennia. The cost estimate also includes \$36.5 million in near term actions for the Department of Fish and Wildlife, however, the agency did not provide budget estimates and therefore no estimates are included.

² Strategy A – Freshwater, cost estimate includes \$350 million in capital costs related to Chinook investment (NTA A6.1.1)

The Action Agenda for Puget Sound includes three Strategic Initiatives designed to guide our priorities for 2012 and 2013. These are the areas where we intend to focus time and resources, to increase funding, to seek changes that improve policy, to report success and apply lessons learned, and to educate and engage citizens in the recovery effort. Exhibit B-2 shows the financial estimates for the near-term actions aligned to the three strategic initiatives: prevention of pollution from urban stormwater runoff; Protection and restoration of habitat; and Recovery of shellfish beds. As the table shows, in these priority areas of focus there is currently an estimated funding gap of over \$370 million. It is important to understand that this funding gap is simply for those near term actions identified for Strategic Initiatives and does not account for shortfalls of all ongoing programs that are the centerpiece of the work of all of the state, federal, local agencies and Puget Sound tribes, such as current and future costs for stormwater protection.

Exhibit B-2: Three-year estimates for 2012 Action Agenda Strategic Initiatives, all Near Term Action Owners

(Dollars in 000s)

| Strategic Initiative | Cost Estimate | Estimated Budget | Estimated Funding Gap |
|--|------------------------|------------------|-----------------------|
| Protect Habitat | ² \$379,297 | \$16,942 | \$362,354 |
| Prevent Pollution from Urban Stormwater Runoff | \$20,916 | \$13,910 | \$7,006 |
| Recover Shellfish | \$8,342 | \$7,264 | \$1,077 |
| TOTAL | \$408,556 | \$38,118 | \$370,438 |

Note: The cost estimates do not represent costs for recovery Puget Sound but are for implementing the Action Agenda near term actions. Cost estimates do not account for shortfalls of all ongoing programs that are the centerpiece of the work of all of the state, federal, local agencies and Puget Sound tribes, such as current and future costs for stormwater protection. Washington State Department of Fish and Wildlife did not provide budget estimates.

OTHER ACTION AGENDA IMPLEMENTATION FUNDING

A significant number of near-term actions are also owned by local, federal, tribal and non-governmental entities. It is estimated that those NTAs not owned by a state agency would cost \$77 million to implement. Exhibit B-3, shows that \$14.5 million of the \$77 million of total funding required has been secured for those near-term actions, leaving a funding gap of over \$62 million.

Figure B-3: Three-year Near Term Action estimates for 2012 Action Agenda, All Strategies – Federal, Local, Non-Governmental and Tribal Owners

(Dollars in 000s)

| Owner Type | Cost Estimate | Estimated Budget | Estimated Funding Gap |
|----------------------|---------------|------------------|-----------------------|
| Federal ³ | 1,410 | 1,410 | - |
| Local | 19,027 | 4,241 | 14,786 |
| Non-Governmental | 50,721 | 8,769 | 41,952 |
| Tribal | 5,970 | 90 | 5,880 |
| TOTAL | 77,129 | 14,511 | 62,618 |

The 2012 Action Agenda contains a sizeable number of locally focused near-term actions owned by local jurisdictions and non-governmental organizations involving a range of specific implementing actions, including on the ground capital projects such as stormwater retrofits, wastewater infrastructure, legacy net removal and habitat protection and restoration. The estimated cost to implement local and NGO owned near-term actions is just under \$70 million, with an amount currently budgeted of \$13 million.

Of the three federal agency owners of near term actions, the Environmental Protection Agency and the National Oceanic and Atmospheric Administration were unable to provide financial information for their near term actions.

³EPA and NOAA near term action financial estimates not available at this time.

Notably, EPA has not yet had the opportunity to gather the Puget Sound federal caucus agencies in order to estimate costs and budgets. The Federal Emergency Management Agency estimated that their near term action related to National Flood Insurance reporting would cost \$1.4 million to implement over three years. The Suquamish and Tulalip tribes also estimated a total cost of almost \$6 million to implement their near term actions, however, the tribes report that only \$90,000 of that amount is currently budgeted.

In total, cost estimates to implement all near term actions over the one to three year period are \$596 million, compared to a current budget estimate of \$128 million. This represents a funding gap of \$468 million. The largest share of the overall near term action cost estimate is covered by strategy A – Freshwater, at almost three quarters of the total (\$443 million, with \$44 million currently budgeted).

SUMMARY

The cost estimates provided in the charts specifically focus on the costs for implementing the Action Agenda near term actions and therefore should not be represented as the cost for recovering Puget Sound. It does not include the cost for all of the ongoing programs that are the centerpiece of the work of all of the state, federal, local agencies and Puget Sound tribes. It represents only a portion of the costs for the on-the-ground protection and restoration work that is occurring in the region, and it does not include the costs for remediation of existing pollution and both the current and future costs for stormwater protection and water quality treatment that is incurred by agencies and the public who defray these costs. For example, PSP estimates that the cost of addressing stormwater impacts of existing development alone will be on the order of at least \$3 billion. Lastly, it does not include the costs incurred by individual citizens and the business community that are either required by statute, such as pollution control and property management, or those voluntarily important actions that contribute to Puget Sound recovery, such as the purchase of “green” products,

recycling, or low impact development for yards.

The estimated budget to implement the Near Term Actions and Strategic Initiatives in the Action Agenda only includes capital funding for FY 2013 for state agencies. Estimated capital budget amounts for the 2013-15 biennium are not included. If it is assumed that state funding will continue at the historic levels of \$32 million a fiscal year in the capital budget for activities to implement Chinook recovery three year work plans, the estimated funding gap for state owned near term actions is reduced to \$341 million for all strategies and \$306 million for implementing the strategic initiatives.

These estimates are provided to inform the Governor and Legislature on what the region believes are the key priorities in the near future that require public support with the understanding that there are competing priorities that are equally compelling and challenging. The section below summarizes the approaches that are outlined in the Action Agenda to increase funding for these efforts. They include strategies that will help focus our efforts, strategies that seek to maximize our investments, and new approaches for funding that have not been utilized in the past, but which show promise of “expanding the pot” as we move forward.

APPENDICES:

Spreadsheet 2008 Aa Costs Sorted By Chapters (p.XX)

Spreadsheet 2012 Aa Cost Estimates Sorted By Chapters (p.XX)

C. FUNDING STRATEGIES IN THE ACTION AGENDA

There is a critical need for more stable, diverse and dedicated sources of funding that can be relied upon to continue and ultimately complete the work of protecting and restoring Puget Sound. Increased capacity can be built by identifying new sources for key programs, using existing funding more strategically and efficiently, and developing innovative market-based approaches. The Action Agenda identifies six key programmatic strategies:

- Maintain and enhance federal funding for implementation
- Focus federal agency budgets and national programs
- Maintain, enhance and focus state funding
- Maintain and enhance local funding
- Develop opportunities for private sector and philanthropic funding
- Develop and implement market-based mechanisms

Several of the innovative near-term actions that address funding needs include:

A3.1 NTA 3: Forest Watershed Services – DNR will support pilot market transactions for delivery of watershed services from private forest landowners to downstream water beneficiaries in at least the Snohomish and Nisqually watersheds (see local story Chapter 1 Stream Flows Indicator Report).

A5.4 NTA 2: Ag Land Ecosystem Services Markets – By December 2012, the State Conservation Commission, working with Conservation Districts and Watershed Groups and counties, will have three pilot projects underway that demonstrate ecosystem services markets associated with flood hazard prevention and agricultural lands in floodplains.

A6.1 NTA 1: Secure Annual Chinook Investment – PSP, in collaboration with the Salmon Recovery council, will secure the annual investment as required to fully implement the approved Puget Sound Chinook Salmon Recovery Plan, and work to align that funding in support of the highest priority

protection and restoration projects as identified by the salmon recovery lead entities. This investment strategy will be developed as part of the overall Puget Sound recovery funding strategy.

The Leadership Council requested that the ECB form a sub-committee to work with PSP and our regional partners to coordinate the development and implementation of the funding strategy with a focus on the Strategic Initiatives. It will also address funding local agency needs that have been identified. That work is underway. The sub-committee, using the gap analysis as the base for their work, will produce a more detailed report with proposals on how to fill the gaps by the end of the calendar year, 2012.

The detailed description of the funding strategy may be found in Section E of the 2012 Action Agenda.

D. ACTION AGENDA IMPLEMENTATION: HIGHLIGHTS OF ACCOMPLISHMENTS IN THE USE OF STATE FUNDS

The 2008 Action Agenda featured near-term actions owned by 11 different state agencies: the Departments of Agriculture; Commerce; Ecology; Fish and Wildlife; Health; Natural Resources; Transportation; the Conservation Commission; Puget Sound Partnership; the Recreation and Conservation Office and State Parks. The following examples show a selection of highlights in the use of state funds towards Action Agenda implementation. See the link to the electronic version of this report for a more complete list.

Department of Ecology

Stormwater & Water Quality – Ecology is currently providing funding for 118 stormwater design and construction projects statewide totaling over \$66 million awarded through the 2012 Supplemental Capital Budget. This adds to the existing 43 stormwater projects that are under construction from \$23 million awarded in the 2010 Supplemental Capital Budget. Approximately two-thirds of this work and funding is focused in Puget Sound.

In addition to Ecology's priority focus on stormwater, the agency has provided funding for 62 projects worth approximately \$115 million through its annual grant and loan programs for clean water projects in Puget Sound over the past three years.

Case Study: City of Arlington Wastewater Treatment Plant Upgrade and Stormwater Wetland Project

– The Department of Ecology provided grant and loan funding to the City of Arlington to facilitate improvements to their wastewater treatment plant and construct a wetland to mitigate pollutants in stormwater runoff. The expansion and upgrade of the wastewater facility included a multi-faceted approach which meets the requirements of the National Pollutant Discharge Elimination System (NPDES) permit and will significantly improve oxygen levels and reduce nutrients in the Stillaguamish River. Additionally the City of Arlington constructed a four cell stormwater wetland, complete with nearly a mile of walking trails and educational signage, to treat stormwater runoff and provide flow control for stormwater that was previously discharged to the Stillaguamish untreated. Education and outreach efforts have been focused on the creation of urban wildlife habitat as well as the integration of proper stormwater treatment in this urban ecosystem.

Stormwater Case Study Examples – the following are real examples of water quality problems fixed through implementation of the municipal stormwater permit:

- **City of Seattle housing development (New Holly):** Seattle Public Utilities found nearly 50 homes with the sewer pipes connected to the stormwater system. They were found in field screening for illicit discharges. Correcting these, some of which have been in place for 10 years, removed pollution by untreated sewage that was flowing to Lake Washington.
- **Port Angeles fish processing plant** – City staff found the plant was bypassing the sewer line several times a year and sending the processing waste directly into Port Angeles Harbor. The plant corrected the problem.

Shorelines and Coastal Wetlands – Ecology is currently providing \$6.3 million in legislatively-approved grants to 70 cities and counties in the Puget Sound region to help modernize their existing shoreline policies and development regulations. The local regulations are designed to protect water quality and critical habitat, control beach and stream bank erosion, and reduce flood hazards along marine shorelines. The \$6.3 million is divided among six counties and 64 cities based on factors such as miles of shoreline, number of shoreline types, population and growth rates. The money will protect and restore more than 3,000 miles of marine, stream and lake shorelines throughout Puget Sound.

Case Study: San Juan Creosote Debris Removal Project – In late 2011, crew members from Washington Conservation Corps removed more than 70 tons of creosote-treated debris from several nearshore locations on Lopez Island. One crew located and staged debris at the Fisherman Bay Spit Preserve site for two days in preparation of the helicopter removal. At the end of the first week of work, this same crew headed to Weeks Wetland where they hand carried most of the debris from the wetland to the road edge for removal by the heavy equipment operator. A second WCC crew hand carried debris from several sites.

Toxic Cleanup Case Study: Scott Paper Site Cleanup – In 2011, cleanup was completed on the former Scott Paper site on the shore of Fidalgo Bay in Anacortes. The site historically was used for pulp and paper operations; after those mills closed, the site later was used for other industrial purposes. At the time cleanup started in mid-2009, the site had been unused for several years.

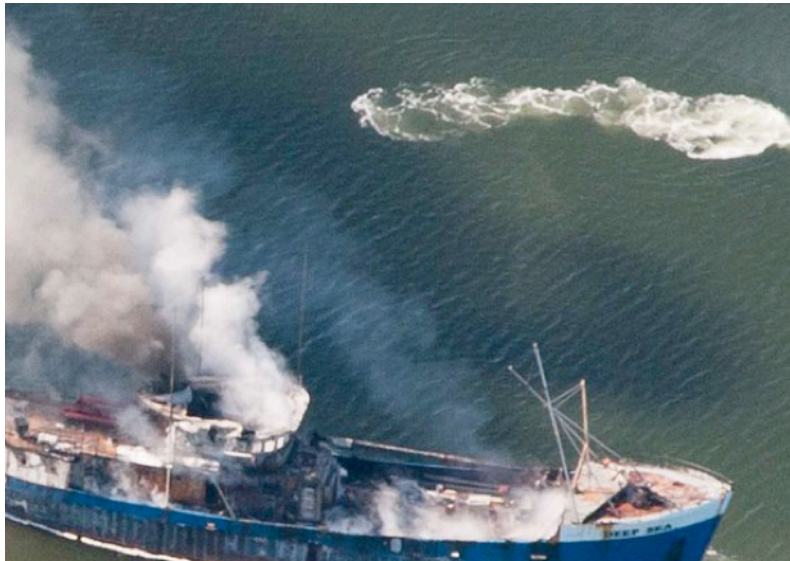
Toxics Reduction: Local Source Control Specialists – The Legislature provided \$2.3 million in the 2007-09 biennium to make sure small businesses had the help they needed to reduce toxic pollution in Washington, especially Puget Sound. The program has proved valuable so state funding has continued, augmented by federal funds. In January 2008, Ecology entered into 14 partnership contracts to use existing expertise in local health agencies and public utility districts to help small business owners prevent pollution. That number has grown to 25 partnerships.

Toxics Source Control Case Study Examples:

- A marine business in Kitsap County had unlabeled drums of chemicals stored outside and didn't have tools on hand in case something spilled. With help from the Kitsap Public Health District, the drums were moved inside and labeled, and a plan was put into place for cleaning up spills in case they occurred. The business also given with a pre-packaged spill kit.
- According to the Puget Sound Toxics Assessment, an estimated 9,200 metric tons of petroleum products are released to the Puget Sound basin every year. A major source of this toxic pollution comes from the motor oil drips and leaks from our motor vehicles. Environmental educators from Seattle Public Utilities and Washington Department of Ecology teamed up to create a program through South Seattle Community College to host about 50 free monthly auto leaks workshops at the school's automotive training center. The program was offered to low-income vehicle owners to help them learn how to identify leaks, undertake preventative maintenance, repair minor leaks, clean up spills, properly dispose of auto fluids, and understand how auto leaks affect Puget Sound. For 2012 and 2013, SPU and Ecology are using a \$200,000 EPA National Estuary Program grant to conduct another 100 auto prevention leak workshops in and around Seattle. SPU and Ecology will conduct post-workshop surveys to assess behavior change.

Spill Prevention, Preparedness and Response – Ecology's legislative direction is to implement a "zero spills" strategy for Puget Sound and other state waters. To support this goal, Ecology implements a range of effective spill prevention activities including ship and oil transfer inspections, and oil spill prevention plan reviews. As a result of the Spills Program requirements, approximately 90% of all Puget Sound high volume oil transfers are being pre-boomed by industry, reducing the rate of oil transfer spills to approximately 1 gallon discharged per 100 million gallons of oil transferred.

Case Study: Deep Sea Spill – Ecology led the state’s response efforts to the burning and sinking of the 140-foot fishing vessel Deep Sea, in Penn Cove off of Whidbey Island. During May and June Ecology worked with DNR and the Coast Guard to contain and clean up the spill, and remove the vessel that sank next to the Penn Cove commercial shellfish operation in Coupeville. Penn Cove has some of the world’s most productive commercial shellfish operations as well as being the state’s most popular recreational shellfish area. The Department of Health closed commercial and recreational shellfish beds in Penn Cove until June 8th. The state and federal government spent \$3 million cleaning up the 7,000 plus gallon spill and salvaging the abandoned derelict ship (picture below).



The 140-foot fishing Vessel DEEP SEA burning in Penn Cove, Island County on May 1, 2012.

Department of Natural Resources

Washington State Department of Natural Resources (DNR) manages or has regulatory responsibility for 41 % of the uplands and underwater lands in the Puget Sound basin. DNR implements many programs to protect working forest lands and aquatic lands in support of the state’s goal to recover Puget Sound to health by 2020. In the past three years, DNR has posted many accomplishments for the Sound, often in collaboration with partners, including the following:

- **Puget Sound Corps** – DNR passed legislation in 2011 creating Puget Sound Corps, work-crews of youth and military veterans employed on projects to protect and restore Puget Sound. By September 2012, five crews of six people each were deployed by DNR on water quality work in state forests, removal of invasive species on state owned aquatic lands, and urban forestry restoration projects in the Puget Sound basin.
- **Derelict Vessel Removal** – Since 2009, DNR has worked with local governments and vessel owners to remove 147 derelict vessels, many of these from the waters and shorelines of Puget Sound, where they posed a threat to both navigation and the environment. This biennium, the derelict vessel removal program was directly responsible for the removal of 40 vessels from Washington’s waters. This includes the removal of the Deep Sea from Penn Cove. In addition to these 40 vessels, DNR facilitated the removal of 25 vessels led by other agencies and local governments.
- **Aquatic Reserves** – DNR has designated and protected four new Aquatic Reserves in Puget Sound since 2009 at Cherry Point, Smith and Minor Islands, Protection Island, and Nisqually Reach.
- **Ediz Hook Restoration** – The Aquatic Restoration program, in partnership with the Lower Elwha Klallam Tribe, completed work to restore an 1,800 linear foot section of Ediz Hook, formerly known as the A-Frame site. The project removed fill, remnant pilings, and a pile bulkhead, and re-graded the shoreline to restore habitat function. DNR and the Tribe have been working together since 2005 on several phases to complete this effort. Additional restoration activities include the continued planning and design for a salt marsh restoration project at

Secret Harbor on Cypress Island as well as restoration of a section of the south shoreline of Lake Washington adjacent to the mouth of the Cedar River.

- **Decking and Creosote Pier Removal** – DNR removed 66,795 square feet of overwater decking at the former Asarco smelting site at Point Ruston in 2009-10 and removed an additional 120 tons of creosote-soak piers and debris from the shorelines around Puget in the 2009-11 period.
- **Restore Upland Fish Habitat** – DNR continues its work with industrial forest landowners to restore upland fish habitat and disconnect logging roads from transporting sediment into streams, which impairs water quality and harms salmon habitat. For the period of 2009-2011, landowners brought 3,719 miles of road up to state standards, put 659 miles of unneeded roads to bed, and corrected 1,387 barriers to fish passage that opened 741 miles of habitat.

Department of Health

Improvements in Vital Water Quality Measure in Puget Sound Shellfish Areas – Puget Sound shellfish areas long-impacted by contamination from human and animal waste have seen a steady reduction in fecal pollution since 2003. The state Department of Health analyzed results of over 50,000 water quality tests, taken from the same locations at the same frequency for more than a decade, from 38 shellfish growing areas most affected by fecal coliform pollution. The water quality improvements are due to better management of sewage systems, agricultural waste, boating waste, and stormwater runoff near shellfish areas. Many of the 38 areas had been targeted for long-term pollution control efforts carried out by property owners, local governments, tribes, state and federal agencies, volunteer groups, and shellfish farmers.

Shellfish Bed Upgrade in Oakland Bay, Mason County – Improvements to Shelton's wastewater treatment plant, on-site sewage systems, and farm practices have led to the upgrade of 799 acres of shellfish beds in Oakland Bay in Mason County. This progress has allowed the state Department of Health to change the classification from "Conditionally Approved" to "Approved." Oakland Bay is home to 19 commercial shellfish companies

and a popular public shellfish beach at Bayshore. Mason County created a Shellfish Protection District around Oakland Bay in 2007 because water quality had declined. This group led the work that resulted in noticeable improvement of marine water quality. The City of Shelton upgraded the Shelton Wastewater Treatment Plant and its sewage collection system to reduce impacts on shellfish harvesting areas. The Squaxin Island Tribe, shellfish growers, and hundreds of property owners joined the effort to improve water quality, and the successful collaboration led to this upgraded classification.

Henderson Inlet Commercial Shellfish Area Gains 100 more Acres –

The Department of Health recently upgraded 100 acres of commercial shellfish beds in Henderson Inlet because of improving water quality. This adds to the 240 acres in that area that were upgraded in 2010. Thurston County, the city of Lacey, shellfish growers, and thousands of property owners came together to make a difference. Thurston County created a watershed protection area in Henderson Inlet to improve septic operation and maintenance with a goal of reducing human sources of bacteria. The Henderson Inlet Shellfish Protection District, which the county formed in 2001, contacted area residents to educate them about how livestock and pets can cause water quality problems.

Conservation Commission and Conservation Districts

District Caucus Action Agenda – In 2009, the State Conservation Commission assisted the 12 Puget Sound conservation districts in the development of the District Caucus Action Agenda. This document reflected the districts implementation of their elements of the broader Puget Sound 2020 Action Agenda. The conservation districts first used data developed at the Puget Sound Partnership Science Panel and Action Areas where resource threats were identified in each of their conservation district areas. The districts then linked their annual plan of work to these resource threats. The result was a document, the District Action Agenda, describing the work of the conservation districts across the Sound and linking that work to threats and activities in the Puget Sound Partnership Action Agenda. This approach allowed the Commission and districts to ensure their work supported the work of the Partnership and supported the broader goals of Puget Sound.

Funding and Technical Assistance Leveraging – During the period 2009- 2011 (state fiscal years), the Conservation Commission provided funding and technical assistance to the 12 Puget Sound conservation districts that in turn used and leveraged those funds to:

- Assist 10,350 landowners;
- Improve or enhance 17,022 miles of stream;
- Apply practices to 7,509 acres of land;
- Install 1,191 practices to address resource concerns;
- Contact 2,451 landowners resulting in new actions.

Puget Sound Partnership

Levee Vegetation: public safety, economic security and salmon recovery. Puget Sound levee owners were faced with a Catch-22: in order to receive US Army Corps funding, they were required to remove trees from riverside levees to meet flood protection standards; however, by removing trees, they would raise stream temperature, reduce cover, and potentially violate the Endangered Species Act by impacting Chinook salmon. PSP worked with regional leaders and the Corp to develop a policy that would be mutually beneficial by supporting safe levees, improving habitat and addressing system-wide needs in a cost effective and timely manner.

In July 2012, PSP executed an historic agreement with the Corps, NMFS, and USFWS to advance the regional framework approach necessary for durable policy and program solutions. PSP continues to work with levee owners to participate in the program and to obtain funding to proceed forward.

Port Susan – Construction of a levee setback at the Nature Conservancy's Port Susan Preserve will remove 7,350 feet of existing dike and create 5,000 feet of new dike to protect and enhance neighboring farmland. This project is near completion and will restore process to 150 acres of tidal marsh in the Stillaguamish River estuary while improving tidal flushing in thousands of

acres of Port Susan Bay. The Nature Conservancy is managing this project. Funding for protection and restoration is from the Puget Sound Acquisition and Restoration, Estuarine & Salmon Restoration Program, Salmon Recovery Funding Board, and at the federal level, NOAA and U.S. Fish and Wildlife.

Recreation and Conservation Office

The Recreation and Conservation Office supports Puget Sound health by managing grants for conservation, restoration, planning, and administration. In 2011-2012, the Recreation and Conservation Office distributed over \$72.7 million in funds to recover Puget Sound.

D. vexillum Eradication at Dockton Park – In 2007, Washington Department of Fish and Wildlife biologists discovered a thriving infestation of the invasive colonial tunicate (*Didemnumvexillum*) at Dockton Park in central Puget Sound. For three years, colonies were removed. Annual removals of *D. vexillum* at this location have proved sufficient to prevent any further large-scale outbreaks and the logistics of the follow-up removals are easily manageable and conducted at low cost.

State Parks

Kukutali Preserve Purchase – State Parks, in partnership with the Swinomish Indian Tribal Community, has protected unique habitat through the purchase of Kukutali Preserve on Kiket, Flagstaff, and Fidalgo islands. Kukutali Preserve includes 84 upland acres on Kiket and Flagstaff islands and about nine upland acres on Fidalgo Island. The Preserve has more than two miles of nearly intact shoreline, with native eelgrass beds and diverse populations of fish and shellfish. Kukutali Preserve is home to numerous endangered or threatened species and has a broad spectrum of habitats, including mixed deciduous and conifer forests, with significant old-growth trees. Flagstaff Island supports a rare type of environment called a “rocky bald,” which has a fragile, thin soil that hosts a unique community of native plants not found elsewhere.

Lagoon at Kukutali Preserve on Kiket Island

Washington State Department of Transportation

Fish Passage Corrections – Washington State Department of Transportation and the Washington Department of Fish and Wildlife have worked cooperatively on a program since 1991 to inventory and correct fish barriers on our highway system. Removal of these barriers increases access to critical spawning and rearing habitat. As of June 30, 2012, WSDOT had completed 168 fish passage correction projects in Puget Sound, improving access to about 422 miles of potential upstream habitat. WSDOT and WDFW are continuing to prioritize the 785 remaining barriers identified in Puget Sound based on potential habitat gain for the greatest number of “at-risk” species, as well as potential return on investment. Barrier corrections are either funded as “stand-alone” corrections, or are combined with large highway projects.

Stand-alone Stormwater Retrofits – WSDOT also makes significant investments in stand-alone stormwater retrofits in the Puget Sound Basin. Not including pavement, which is retrofitted routinely as part of projects, WSDOT invested \$2.6 million in three stand-alone stormwater retrofit projects between state fiscal years 2009 and 2012.

E. RECOMMENDATIONS REGARDING FUTURE ALIGNMENT OF PRIORITIES AND FUNDING

Washington State has a long and successful tradition of protecting its natural resources while using a bottoms-up approach to selecting and implementing priorities. There are significant numbers of collaborative efforts around Puget Sound with numerous coalitions of interest groups within every watershed. Coalition members may differ in their individual missions, but have learned that when they work to identify common goals, they can achieve results that are mutually beneficial. Our partners have done the difficult work of building the foundation of cooperation that is critical to success. Yet, funding programs and policies have not evolved to meet the demands of multi-interest ecosystem conservation.

RCW 90.71.370(3) requires that the State of the Sound include recommendations on how future state expenditures for all entities, including the Partnership, could better match the priorities of the Action agenda. The following recommendations are put forward to effectively fund and promote the significant regional priorities that must be achieved for the restoration and protection of Puget Sound.

1. Focus on Strategic Initiatives

As noted above, the Puget Sound Partnership has achieved consensus on three Strategic Initiatives that are intended to guide our region’s highest priorities for 2012-2013. We should focus our time and resources to provide adequate multi-year funding for these priorities.

Our funding strategy should address the capacity of all partners, including tribal, federal, state and local governments, nonprofits, businesses, private landowners, and other community members. Our implementation strategies should account for differences in the needs and context of each of the watersheds where programs and policies are implemented. Finally, we must monitor, establish and track measureable results, and apply the lessons learned to subsequent efforts so that we may be effective and efficient in what we select to implement and how we use our funding to achieve desired outcomes.

2. Promote outcomes and remove stovepipes

At all levels of government, programs have encountered obstacles to successful project implementation because of the restrictions built into funding sources and policies that limit the use of funds to very specific purposes- purposes, which may not meet the complex demands of restoration at the Puget Sound scale. We also encounter policies that do not foster collaboration nor accommodate blending funding sources to meet collective goals. Accordingly, a project that may only partially meet the criteria for a grant either cannot be funded or must be modified to better meet the purpose of the grant rather than the purpose of the project. The grantor does not have flexibility to modify the criteria even if the proposed project meets a critical purpose that is recognized by the agency or multiple purposes unless the entire project conforms to the criteria.

At a recent Leadership Council workshop, representatives of a number of the Local Integrating Organizations (LIOs) emphasized the need for funding that spanned jurisdictional boundaries to accomplish work that would have ecosystem-wide benefits. Other examples included restrictions on the use of infrastructure funds for projects that might have multiple benefits because bond and fee program criteria do not allow them to pay for the portion of the work that might have ecosystem benefits. An example at the federal level are Farm Bill programs that are tailored to individual landowner activities and are unable to fund landscape-level planning and ecosystem monitoring that would could achieve results for water quality or species conservation as well as agricultural production goals.

To address these problems, we recommend policy changes to funding programs, streamlining application and permitting processes and pooling of multi-agency funding sources to focus on accomplishing objectives. At the federal level, we recommend that the Council on Environmental Quality and the Office of Management and Budget review and amend existing laws and procedures to allow agencies to pool funds and allow multi-year budgeting that is flexible and focused on meeting outcomes.

3. Transform collaborative funding models to increase the pace of recovery.

As mentioned earlier, the region has been successful in employing a collaborative model to fund and implement projects. These efforts have proceeded through the initial stages of a project – e.g. developed a scope of work, complete project design, and have linked together numerous matching grant programs for implementation. Yet, they find themselves unable to proceed to the next phase either because they are competing for funds with a number of smaller initial projects, or because regional funding is limited to small grants. Restrictions on what will considered for matching as well as the limitations of some of the smaller entities to provide matching dollars has impeded our ability to move forward with larger scale projects.

The Salmon Recovery Council has taken one of the first steps in addressing this issue by modifying the formula for project funding allocation to prioritize some of the larger scale projects that have regional benefit.

We recommend that public funding agencies and the private philanthropic sectors support a catalyst funding approach for completing the high

priority large scale projects that have been developed through collaborative partnerships. We request that funders use the multi-interest goals and past performance of partners as evidence of the effectiveness of the collaborative proposal as opposed to how many small grants the proposers can cobble together. We also recommend that funders examine their matching requirements to accommodate the realities of some of the partners with limited budgets but who will be contributing to project success.

4. Identify and fund and reform incentive programs

The 2012 Action Agenda contains a number of incentive programs proposed as Near Term Actions, including waste disposal for boat owners, property setbacks, best management practices, and low impact development. Within our region, we have emphasized the importance of incentive programs in enabling and motivating business owners and individuals in our communities to modify their practices or incur expenses that they are not required to incur in order to benefit the ecosystem. [We need to identify what it will take to fully fund these incentive programs in order to ensure that they produce the results we are seeking. We also need to work with the communities that these programs seek to attract to determine what incentives are attractive to them rather than only creating incentives programs that meet an existing regulatory framework.]

In establishing the Partnership, the Legislature emphasized the importance of the public in the ecosystem recovery effort. Public support for the changes necessary to achieve recovery are critical to success on many levels. This includes providing feedback on the content and pace of the effort.